

**UCom CJSC**

**Consolidated Financial Statements  
For the year ended 31 December 2024  
and Independent Auditor's Report**

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## INDEPENDENT AUDITOR'S REPORT

*To the Shareholders of UCom CJSC*

### Opinion

We have audited the consolidated financial statements of UCom CJSC (the Company) and its subsidiary (together - the Group), which comprise the consolidated statement of financial position as of 31 December 2024, and the consolidated statement of profit or loss, and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2024 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Armenia and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### Responsibilities of the management and those charged with governance for the consolidated financial statements

Management of the Group is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operation, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is high level of



UCom CJSC  
Consolidated Statement of Financial Position  
31 December 2024

| '000 AMD                            | Note  | 31 December<br>2024 | 31 December<br>2023 |
|-------------------------------------|-------|---------------------|---------------------|
| <b>Assets</b>                       |       |                     |                     |
| Property and equipment              | 10    | 38,067,495          | 34,565,902          |
| Intangible assets                   | 11    | 56,632,716          | 58,700,913          |
| Right of use assets                 | 12    | 6,972,457           | 6,904,517           |
| Prepaid income tax                  |       | 340,876             | 340,876             |
| Borrowings provided                 | 13    | 1,376,893           | 1,376,893           |
| Prepayments and other assets        |       | 880,871             | 1,683,525           |
| <b>Non-current assets</b>           |       | <b>104,271,308</b>  | <b>103,572,626</b>  |
| Inventories                         | 14    | 1,376,477           | 1,613,892           |
| Assets held for sale                |       | 52,718              | -                   |
| Trade receivables                   | 22(c) | 6,075,829           | 6,310,421           |
| VAT receivables                     |       | 238,995             | 206,104             |
| Prepayments and other assets        |       | 857,914             | 485,586             |
| Cash and cash equivalents           | 15    | 597,080             | 952,913             |
| <b>Current assets</b>               |       | <b>9,199,013</b>    | <b>9,568,916</b>    |
| <b>Total assets</b>                 |       | <b>113,470,321</b>  | <b>113,141,542</b>  |
| <b>Equity</b>                       |       |                     |                     |
| Share capital                       |       | 23,903              | 23,903              |
| Additional paid-in capital          |       | 35,084,845          | 35,084,845          |
| Accumulated losses                  |       | (16,569,528)        | (19,028,017)        |
| <b>Total equity</b>                 | 16    | <b>18,539,220</b>   | <b>16,080,731</b>   |
| <b>Non-current liabilities</b>      |       |                     |                     |
| Loans and borrowings                | 18    | 37,754,761          | 36,885,306          |
| Provisions                          | 19    | 1,936,383           | 1,796,401           |
| Lease liability                     | 12    | 6,761,691           | 6,809,454           |
| Trade and other payables            | 21    | 25,410,323          | 27,318,405          |
| Contract liabilities                | 20    | 6,608,537           | 7,057,151           |
| <b>Non-current liabilities</b>      |       | <b>78,471,695</b>   | <b>79,866,717</b>   |
| <b>Current liabilities</b>          |       |                     |                     |
| Loans and borrowings                | 18    | 2,711,712           | 3,934,449           |
| Other liabilities                   |       | 120,607             | 120,607             |
| Lease liability                     | 12    | 2,035,546           | 2,187,516           |
| Trade and other payables            | 21    | 10,775,483          | 10,101,928          |
| Contract liabilities                | 20    | 816,058             | 849,594             |
| <b>Current liabilities</b>          |       | <b>16,459,406</b>   | <b>17,194,094</b>   |
| <b>Total liabilities</b>            |       | <b>94,931,101</b>   | <b>97,060,811</b>   |
| <b>Total equity and liabilities</b> |       | <b>113,470,321</b>  | <b>113,141,542</b>  |

*UCom CJSC*  
*Consolidated Statement of*  
*Profit or Loss and Other Comprehensive Income for 2024*

| '000 AMD                                           | Note | 2024               | 2023               |
|----------------------------------------------------|------|--------------------|--------------------|
| Revenue                                            | 5    | 38,508,505         | 38,308,098         |
| Other income                                       | 6    | 680,322            | 5,339,155          |
| Depreciation and amortisation expense              |      | (11,469,044)       | (11,221,324)       |
| Reversal of impairment losses of intangible assets |      | 2,231,537          | 2,306,000          |
| Personnel expenses                                 |      | (7,856,618)        | (7,180,680)        |
| Impairment losses on trade receivables             |      | (97,596)           | (227,286)          |
| Other expenses                                     | 7    | (14,240,788)       | (15,458,877)       |
| <b>Results from operating activities</b>           |      | <b>7,756,318</b>   | <b>11,865,086</b>  |
| Net foreign exchange gain/(loss)                   | 8    | 906,897            | (1,307,942)        |
| Finance income                                     | 8    | 3,591              | 5,878              |
| Finance costs                                      | 8    | (6,208,317)        | (4,999,917)        |
| <b>Net finance loss</b>                            |      | <b>(5,297,829)</b> | <b>(6,301,981)</b> |
| <b>Profit before income tax</b>                    | 9    | <b>2,458,489</b>   | <b>5,563,105</b>   |
| <b>Total comprehensive income for the year</b>     |      | <b>2,458,489</b>   | <b>5,563,105</b>   |

These consolidated financial statements from pages 5-52 were approved by management on 19 May 2025 and were signed on its behalf by:

  
 \_\_\_\_\_  
 Ralph Yirikian  
 General Director

  
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 Syune Parsyan  
 Chief Financial Officer

UCom CJSC  
Consolidated Statement of Changes in Equity for 2024

| '000 AMD                                         | Attributable to equity holders of the Group |                            |                     |                   |
|--------------------------------------------------|---------------------------------------------|----------------------------|---------------------|-------------------|
|                                                  | Share capital                               | Additional paid-in capital | Accumulated losses  | Total equity      |
| Balance at 1 January 2023                        | 23,903                                      | 35,084,845                 | (24,591,122)        | 10,517,626        |
| Loss and total comprehensive income for the year | -                                           | -                          | 5,563,105           | 5,563,105         |
| <b>Balance at 31 December 2023</b>               | <b>23,903</b>                               | <b>35,084,845</b>          | <b>(19,028,017)</b> | <b>16,080,731</b> |
| Balance at 1 January 2024                        | 23,903                                      | 35,084,845                 | (19,028,017)        | 16,080,731        |
| Loss and total comprehensive income for the year | -                                           | -                          | 2,458,489           | 2,458,489         |
| <b>Balance at 31 December 2024</b>               | <b>23,903</b>                               | <b>35,084,845</b>          | <b>(16,569,528)</b> | <b>18,539,220</b> |

UCom CJSC  
Consolidated Statement of Cash Flows for 2024

| '000 AMD                                                          | 2024               | 2023                |
|-------------------------------------------------------------------|--------------------|---------------------|
| <b>Cash flows from operating activities</b>                       |                    |                     |
| Cash received from customers, inclusive of VAT                    | 43,603,218         | 43,520,539          |
| Cash paid to suppliers, inclusive of VAT                          | (14,125,979)       | (16,053,392)        |
| Cash paid to employees, inclusive of taxes                        | (7,765,965)        | (6,763,918)         |
| Payments of taxes other than on income                            | (5,752,040)        | (6,089,980)         |
| <b>Net cash flow used in operating activities</b>                 | <b>15,959,234</b>  | <b>14,613,249</b>   |
| <b>Cash flows from investing activities</b>                       |                    |                     |
| Interest received                                                 | 3,869              | 5,694               |
| Acquisition of property and equipment                             | (6,672,072)        | (5,446,411)         |
| Proceeds from sales of property and equipment                     | 13,600             | 7,520               |
| Acquisition of intangible assets                                  | (2,882,902)        | (4,734,506)         |
| <b>Net cash flow used in investing activities</b>                 | <b>(9,537,505)</b> | <b>(10,167,703)</b> |
| <b>Cash flows from financing activities</b>                       |                    |                     |
| Loans and borrowings received (Note 18)                           | 5,131,484          | 15,580,957          |
| Repayments of loans and borrowings (Note 18)                      | (5,962,492)        | (14,329,430)        |
| Payment of lease liabilities (Note 12)                            | (2,762,850)        | (2,540,697)         |
| Interest paid (Note 18)                                           | (3,173,146)        | (3,188,843)         |
| <b>Net cash flow used in financing activities</b>                 | <b>(6,767,004)</b> | <b>(4,478,013)</b>  |
| <b>Net decrease in cash and cash equivalents</b>                  | <b>(345,275)</b>   | <b>(32,467)</b>     |
| Cash and cash equivalents at 1 January                            | 952,913            | 975,206             |
| Effect of exchange rate fluctuations on cash and cash equivalents | (10,558)           | 10,174              |
| <b>Cash and cash equivalents at 31 December (Note 15)</b>         | <b>597,080</b>     | <b>952,913</b>      |

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**Notes to the Consolidated Financial Statements for 2024**

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| 7. Other expenses                                 | 17          | 21. Trade and other payables                          | 28          |
| 8. Net finance costs                              | 18          | 22. Fair values and risk management                   | 28          |
| 9. Income taxes                                   | 18          | 23. Contingencies                                     | 35          |
| 10. Property and equipment                        | 19          | 24. Related parties                                   | 36          |
| 11. Intangible assets                             | 20          | 25. Subsidiaries                                      | 38          |
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**1. Reporting entity**

**(a) Armenian business environment**

The Group's operations are located in Armenia. Consequently, the Group is exposed to the effects of changes of economic and financial markets of Armenia.

Legal, tax, and legislative systems continue to develop being subject to several interpretations and frequent changes, which among other legal and financial obstacles creates additional complications for organizations operating in Armenia.

On February 2022, because of the military conflict between the Russian Federation and Ukraine, a number of countries imposed sanctions against the Russian Federation. The conflict affects not only the economic activity of two countries but the global economy as well. As a result of sanctions, commodity and food prices have risen in many countries around the world, the established links between supply of resources have been disrupted, inflation also affects the prices, and analysts also forecast economic implications for the global industry.

The level of business activity in the Russian Federation also has a significant impact on the economic environment of the Republic of Armenia, as there are significant flows of funds from the Russian Federation to the Republic of Armenia. Therefore, the political tension in the region, international sanctions, stock market instability, acute inflation and other risks facing the Russian Federation may have a negative impact on the RA economy.

The Armenian economy has successfully weathered the current global turbulence and managed to record impressive macroeconomic indicators in both 2024 and 2023, mainly due to tourism, the relocation of a number of companies to Armenia, and a significant increase in remittances. All of the above factors led to an 8.0% GDP growth in January-December 2024. The government's 2021-2026 economic program aims to develop an export-oriented and investment-led growth model through large-scale reform efforts.

Such an environment has a significant impact on the Group's operations and its financial situation. The Group undertakes the necessary activities to ensure the stability of its operations. Nevertheless, given the unpredictable nature of events, the Management does not have the ability to give a reliable assessment of the impact such circumstances will have on the company's financial position for the coming years.

The future effects of the current economic situation and the actions to be taken by the Government are difficult to predict, and the Group's management's current expectations and estimates may differ from actual results.

**(b) Organisation and operations**

UCom CJSC (the "Company") was established in accordance with the legislation of the Republic of Armenia in April 1994 and is the legal successor of Moskva LLC and Araqini Enker LLC. The Company was renamed as UCom LLC on 12 December 2007 following the amendments made in the Company's charter. The Company started its operations on 22 October 2007 while remaining dormant until then. On 15 January 2020 the Company reorganised its legal form from limited liability company to closed joint stock company as defined in the Civil Code of Armenia. UCom LLC was liquidated and a new entity, UCom CJSC, was established, which is the legal successor of UCom LLC.

As at 31 December 2024 the Company's registered address was 8/4 Davit Anghaght street, Yerevan 0069, Republic of Armenia.

On 31 August 2015 the Company obtained control of Orange Armenia CJSC by acquiring 100% of the shares and voting rights of that Company. On 31 March 2016 Orange Armenia CJSC was legally merged to UCom CJSC.

In February 2017 the Company legally merged with its two subsidiaries: Interactive TV LLC and Icon Communications CJSC.

The issued and outstanding ordinary share capital comprises 23,903,447 ordinary shares. All shares have a nominal value of AMD 1.

The Company's principal activity is the provision of mobile telecommunication, broadband and wireless internet, digital television and landline digital telephony services in the Republic of Armenia, as well as data transmission and hosting services. The Company also sells communication equipment to corporate and individual customers.

The Company also sells communication equipment to corporate and individual customers.

On 7 June 2018 the Company established a new entity UPay CJSC (the "Subsidiary"). UPay CJSC is a 100% subsidiary of the Company.

The Subsidiary's principal activities are provision of collection services, e.g. collection of utility, loan, state budget payments from customers on behalf of service providers and provision of loans on behalf of credit organisations. As of 31 December 2024, it has 41 branches (2023: 42).

The Group does not have ultimate controlling party. Related party transactions are disclosed in Note 2.

## **2. Basis of preparation**

### **(a) Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively IFRS Accounting Standards).

### **(b) Going concern**

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to discharge its liabilities including the mandatory repayment terms of the banking facilities.

As at 31 December 2024 Group's current liabilities exceeded current assets by AMD 7,260,393 thousand (2023: AMD 7,625,179 thousand).

Management is confident that the the Group has experienced an increase in revenue and market share over the current financial period. Management is confident in the Group's ability to continue operating as a going concern, supported by its strong financial performance for the past two years. The Company's strategic plan focuses on expansion, which is underpinned by these trends. Based on these factors, management believes that the Company will be able to meet its obligations and continue its operations for the foreseeable future.

Based on these factors, management has a reasonable expectation that the Group has and will have adequate resources to continue in operational existence for the 12 months following the date of approval of these financial statements. Accordingly, management believes that there is no significant uncertainty with regards to Group's ability to continue as going concern.

### **(c) Changes in significant accounting policies**

#### *a) New standards, interpretations and amendments effective from 1 January 2024*

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2024. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

*Supplier Finance Arrangements (Amendment to IAS 7 and IFRS 7)*

On 25 May 2023, the IASB issued Supplier Finance Arrangements, which amended IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures (the Amendments). These Amendments arose as a result of a submission received by the IFRS Interpretations Committee (the Committee) about the presentation requirements for liabilities and associated cash flows arising out of supply chain financing arrangements and related disclosures. In December 2020, the Committee published an Agenda Decision Supply Chain Financing Arrangements—Reverse Factoring that addressed this submission based on the requirements in IFRS Accounting Standards existing at that time. During this process, the feedback from stakeholders indicated limitations of the then existing requirements to address important information needs of users to understand the effects of supplier finance arrangements on an Group's financial statements and to compare one Group with another.

In response to this feedback, the IASB undertook a narrow scope standard setting, leading to the Amendments. The Amendments require entities to provide certain specific disclosures (qualitative and quantitative) related to supplier finance arrangements. The Amendments also provide guidance on characteristics of supplier finance arrangements.

*Lease Liability in a Sale and Leaseback (Amendment to IFRS 16)*

The IFRS Interpretations Committee issued an agenda decision in June 2020 - Sale and leaseback with Variable Payments. This matter was referred to the IASB for standard setting for some aspects. The IASB issued the final amendments in September 2022.

The Amendments provide a requirement for the seller-lessee to determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee.

*Classification of Liabilities as Current or Non-Current (Amendment to IAS 1)*

The IASB issued amendments to IAS 1 - Classification of Liabilities as Current or Non-current in January 2020, which have been further amended partially by amendments Noncurrent Liabilities with Covenants issued in October 2022. The amendments require that an Group's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the Group will exercise its right to defer settlement for at least twelve months after the reporting period.

As a result of the COVID-19 pandemic, the Board deferred the effective date of the amendments by one year to annual reporting periods beginning on or after 1 January 2024.

*Non-current Liabilities with Covenants (Amendment to IAS 1)*

Subsequent to the release of amendments to IAS 1 Classification of Liabilities as Current or Non-Current, the IASB amended IAS 1 further in October 2022. If an Group's right to defer is subject to the Group complying with specified conditions, such conditions affect whether that right exists at the end of the reporting period, if the Group is required to comply with the condition on or before the end of the reporting period and not if the Group is required to comply with the conditions after the reporting period.

The amendments also provide clarification on the meaning of 'settlement' for the purpose of classifying a liability as current or non-current.

These amendments had no impact on the financial statements of the Group

**3. Functional and presentation currency**

The national currency of the Republic of Armenia is the Armenian Dram ("AMD"), which is Group's functional currency and the currency in which these consolidated financial statements are

presented. All financial information presented in AMD has been rounded to the nearest thousand, except when otherwise indicated.

#### **4. Significant accounting estimates and judgments**

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements and assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within next financial year is included in the following notes:

- Note 2(b) - assumptions relating to Group's ability to continue as a going concern
- Note 5 - determination of significant financing component on advances received under IRU contracts; determination of collectability of revenue from terminated contracts;
- Note 12 - determination of lease term and incremental borrowing rate;
- Note 26(h)(iii) - useful lives of property and equipment;
- Note 11 - key assumptions in the testing of non-current assets for impairment;
- Note 19 - key assumptions in the estimation of dismantling provision;
- Note 22(c) - measurement of ECL allowance for trade receivables: key assumptions in determining the weighted-average loss rate;
- Note 9 - non-recognition of deferred tax assets;
- Note 11 - determination of the spectrum fee upfront payments as intangible assets with indefinite useful lives.

#### **Measurement of fair values**

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 22 - fair values and risk management.

5. Revenue

(a) Revenue streams

| '000 AMD                                       | 2024       | 2023       |
|------------------------------------------------|------------|------------|
| Revenue from contracts with customers          |            |            |
| Fixed broadband internet                       | 12,986,988 | 12,483,284 |
| Mobile services (including mobile internet)    | 12,438,209 | 11,713,110 |
| Digital television                             | 3,357,144  | 3,341,835  |
| Sales of goods                                 | 3,031,285  | 3,976,586  |
| Mobile broadband internet                      | 2,198,231  | 2,478,160  |
| Interconnection and roaming                    | 2,464,083  | 2,281,149  |
| IRU, IP and data transit                       | 1,537,500  | 1,534,922  |
| Landline digital telephony and interconnection | 287,026    | 294,967    |
| Network construction works                     | 81,003     | 79,998     |
| Other                                          | 127,036    | 124,087    |
| Total revenue from contracts with customers    | 38,508,505 | 38,308,098 |
| Total revenue                                  | 38,508,505 | 38,308,098 |

(b) Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical market and timing of revenue recognition.

| '000 AMD                              | 2024       | 2023       |
|---------------------------------------|------------|------------|
| Primary geographical markets          |            |            |
| Domestic                              | 36,013,385 | 35,958,609 |
| Middle East countries                 | 1,078,942  | 1,163,580  |
| Euro-zone countries                   | 833,258    | 690,421    |
| Other CIS countries                   | 274,028    | 379,250    |
| Others                                | 308,892    | 116,238    |
|                                       | 38,508,505 | 38,308,098 |
| Timing of revenue recognition         |            |            |
| Point in time                         | 3,031,285  | 3,976,586  |
| Over time                             | 35,477,220 | 34,331,512 |
| Revenue from contracts with customers | 38,508,505 | 38,308,098 |
| Total revenue                         | 38,508,505 | 38,308,098 |

(c) Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

| '000 AMD             | 31 December 2024 | 31 December 2023 |
|----------------------|------------------|------------------|
| Trade receivables    | 6,075,829        | 6,310,421        |
| Contract liabilities | 7,424,595        | 7,906,745        |

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date as well as incremental costs incurred to obtain a contract, such as sales agent commission. The contract assets related to work completed but not billed are transferred to receivables when the rights become unconditional. The contract assets related to

incremental costs incurred to obtain a contract are amortized over the time of respective revenue recognition period.

The Group assesses the collectability of revenue and other income from penalties related to terminated (defaulted) contracts at the time of revenue recognition. Based on historical information of collections below 30% of such revenue, the Group has assessed that revenue should not be recognised for terminated contracts considering low probability of collection.

The contract liabilities comprise advances received under IRU contracts, network installation fees and other deferred revenue. Advances received under IRU contracts relate to the advance consideration received from customers for granting an access to certain dark fibers from Group's infrastructure.

The amount of AMD 899,679 thousand recognised in contract liabilities at the beginning of the period has been recognised as revenue for the period ended 31 December 2024 (952,834 thousand for the period ended 31 December 2023).

Remaining performance obligations under IRU contracts included in contract liabilities are expected to be recognised in revenue of future periods as follows:

| '000 AMD          | 31 December 2024 | 31 December 2023 |
|-------------------|------------------|------------------|
| Less than 1 year  | 517,546          | 475,773          |
| 1-2 years         | 611,122          | 517,592          |
| 2-5 years         | 2,548,547        | 2,209,285        |
| More than 5 years | 3,381,784        | 4,239,039        |
|                   | <b>7,058,999</b> | <b>7,441,689</b> |

No information is provided about remaining performance obligations at 31 December 2024 that have an original expected duration of one year or less, as allowed by IFRS 15.

**(d) Performance obligations and revenue recognition policies**

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

| Type of product/service                                 | Nature and timing of satisfaction of performance obligations, including significant payment terms                                                                                                                                                                                                | Revenue recognition policies                                                                                                                                                                   |
|---------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Interconnection services                                | Access charges for interconnect services are earned from other telecommunication operators for traffic originated on the Group's network under agreements which also regulate the Group's use of the other operators' networks.<br>Interconnect services are billed and paid on a monthly basis. | Revenue from interconnect fees is recognized over time as the services are performed.                                                                                                          |
| Fixed services (Internet, television and voice over IP) | Group derives revenue from each subscriber for fixed services. Performance obligation is satisfied when services are performed. Service is postpaid.                                                                                                                                             | Revenue from fixed services primarily consists of monthly fixed charges for usage of services and is recognized over time as the services are provided using time elapsed measure of progress. |

*UCom CJSC*  
*Notes to the Consolidated Financial Statements for 2024*

| Type of product/service                                                                   | Nature and timing of satisfaction of performance obligations, including significant payment terms                                                                                                                                                        | Revenue recognition policies                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mobile and internet data services (mobile voice, data, roaming, messaging, internet data) | Group derives revenue from each subscriber for mobile and internet data services. Performance obligation is satisfied when services are performed based upon minutes of use and messages processed, data consumed. Service is both prepaid and postpaid. | <p>Revenue from mobile and internet data service is recognized over time, as service is provided. Measure of progress is based on data usage, minutes of use, messages processed.</p> <p>For bundled packages, the Group accounts for individual services separately, if they are distinct, that is, if a service is separately identifiable from other items in the bundled package and if a customer can benefit from it. The consideration is allocated between separate services in a bundle based on their stand-alone selling prices.</p> <p>Monthly subscription fee is recognized as revenue in the month when the service is provided to the subscriber. For bundled packages, as the unused megabytes, messages, and minutes, cannot be carried forward to subsequent period, revenue is recognized over time, based on time elapsed measure of progress commencing from the activation of the package up to the expiration of service term. These services are billed and paid for on a monthly basis.</p> |
| IRU, IP and data transit                                                                  | The Group derives revenue from fixed charges for usage of the cable network of the Group. Performance obligation is satisfied when services are performed. The service is prepaid.                                                                       | <p>The Group has certain long-term Indefeasible Right to Use ("IRU") contracts, where the obligation for network maintenance and the related risk of return is retained with the Group during the life of the contract.</p> <p>The Group adjusts the transaction price for a significant financing component and recognizes the related interest expense in the consolidated statement of profit or loss and other comprehensive income.</p> <p>The Group recognizes revenue on a straight-line basis over the term of the contract.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |

*UCam CJSC*  
*Notes to the Consolidated Financial Statements for 2024*

| Type of product/<br>service | Nature and timing of satisfaction of performance obligations, including significant payment terms                                                                                                                                                                                                                                                                                                                                                                                                                                           | Revenue recognition policies                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Sales of goods              | Customer obtains control over goods sold which mainly comprise of telecommunication equipment and handsets, in the Group's customer service centers. Invoices are generated and revenue is recognized at that point in time. Invoices for corporate customers are payable within 30 days. Invoices for individual customers are payable in cash right after the invoice has been generated or in case of credit sales the partner bank pays for the goods sold within 30 days. No loyalty points or returns are offered for sales of goods. | Revenue is recognized when the goods are provided to the customer in the Group's customer service center and the invoice is generated.<br><br>For bundled packages, the Group accounts for individual goods sold separately, if they are distinct, that is, if the goods sold are separately identifiable from other items in the bundled package and if a customer can benefit from it. The consideration is allocated between the goods sold and services provided within the tariff plan in a bundle based on their stand-alone selling prices. |

**6. Other income**

| '000 AMD                                             | 2024           | 2023             |
|------------------------------------------------------|----------------|------------------|
| Income from non-core services                        | 258,773        | 306,366          |
| Net income from modification of lease contracts      | 224,775        | 262,154          |
| Recovery of inventory as a result of inventory count | 23,702         | 191,321          |
| Waiver of loan repayments                            | -              | 4,356,835        |
| Reimbursement of damages                             | -              | 101,446          |
| Other                                                | 173,072        | 121,033          |
|                                                      | <b>680,322</b> | <b>5,339,155</b> |

**7. Other expenses**

| '000 AMD                                         | 2024              | 2023              |
|--------------------------------------------------|-------------------|-------------------|
| Cost of equipment sold                           | 2,789,899         | 3,627,302         |
| Interconnection and roaming expenses             | 2,528,653         | 2,606,261         |
| Office maintenance, electricity and utility      | 1,452,517         | 1,389,989         |
| Purchase of TV channels                          | 1,138,596         | 1,141,817         |
| Technical support and maintenance                | 1,111,791         | 1,462,393         |
| Purchase of internet                             | 843,752           | 806,885           |
| Advertising, marketing and distribution          | 726,363           | 489,130           |
| Commission expenses                              | 696,133           | 688,912           |
| Operation and maintenance fees for IRU contracts | 502,710           | 505,337           |
| Office and transportation costs                  | 367,331           | 379,003           |
| Professional services                            | 199,601           | 396,058           |
| Rent other than leases                           | 159,586           | 162,916           |
| Other tax expenses                               | 146,138           | 103,905           |
| Other                                            | 1,577,718         | 1,698,969         |
|                                                  | <b>14,240,788</b> | <b>15,458,877</b> |

|                                                              |                           |                           |
|--------------------------------------------------------------|---------------------------|---------------------------|
| <b>8. Net finance costs</b>                                  |                           |                           |
| <b>'000 AMD</b>                                              | <b>2024</b>               | <b>2023</b>               |
| <b>Recognised in profit or loss</b>                          |                           |                           |
| Interest income                                              | 3,591                     | 5,878                     |
| Finance income                                               | <u>3,591</u>              | <u>5,878</u>              |
| Interest expense on loans and borrowings and debt securities | (3,217,336)               | (2,984,629)               |
| Interest expense from amortization of lease liability        | (1,186,551)               | (1,132,874)               |
| Interest expense on contract liability from IRU contracts    | (542,848)                 | (500,950)                 |
| Unwinding of discount on spectrum fees payable               | (1,256,636)               | (252,737)                 |
| Unwinding of discount on site restoration provision          | (4,946)                   | (128,727)                 |
| <b>Finance costs</b>                                         | <b><u>(6,208,317)</u></b> | <b><u>(4,999,917)</u></b> |
| Net foreign exchange gain / (loss)                           | 906,897                   | (1,307,942)               |
| <b>Net finance costs recognised in profit or loss</b>        | <b><u>(5,297,829)</u></b> | <b><u>(6,301,981)</u></b> |

**9. Income taxes**

Amounts recognised in profit or loss

The Group's applicable tax rate is the income tax rate of 18% for Armenian companies (2023: 18%).

|                                                   |             |             |
|---------------------------------------------------|-------------|-------------|
| <b>'000 AMD</b>                                   | <b>2024</b> | <b>2023</b> |
| <b>Deferred tax expense</b>                       |             |             |
| Origination and reversal of temporary differences | -           | -           |
| <b>Income tax expense</b>                         | <u>-</u>    | <u>-</u>    |

10. Property and equipment

| '000 AMD<br>Cost                   | Land and<br>buildings | Network<br>infrastructure | Equipment         | Transportation<br>facilities | Fixtures and<br>fittings | Leasehold<br>improvement | Construction<br>in progress | Total             |
|------------------------------------|-----------------------|---------------------------|-------------------|------------------------------|--------------------------|--------------------------|-----------------------------|-------------------|
| <b>Balance at 1 January 2023</b>   | 1,292,361             | 40,482,201                | 36,769,392        | 560,550                      | 1,690,687                | 661,757                  | 429,308                     | 81,886,256        |
| Additions                          | 3,615                 | 1,878,378                 | 2,359,812         | 114,241                      | 126,869                  | 66,178                   | 103,860                     | 4,652,953         |
| Disposals                          | -                     | (1,586)                   | (745,334)         | (205)                        | (51,535)                 | -                        | (4,945)                     | (803,605)         |
| Transfers                          | 91,940                | 214,346                   | 5,090             | -                            | -                        | 13,717                   | (325,093)                   | -                 |
| <b>Balance at 31 December 2023</b> | <b>1,387,916</b>      | <b>42,573,339</b>         | <b>38,388,960</b> | <b>674,586</b>               | <b>1,766,021</b>         | <b>741,652</b>           | <b>203,130</b>              | <b>85,735,604</b> |
| <b>Balance at 1 January 2024</b>   | <b>1,387,916</b>      | <b>42,573,339</b>         | <b>38,388,960</b> | <b>674,586</b>               | <b>1,766,021</b>         | <b>741,652</b>           | <b>203,130</b>              | <b>85,735,604</b> |
| Additions                          | 32,897                | 3,680,923                 | 3,647,279         | 175,838                      | 171,723                  | 871,036                  | 227,220                     | 8,806,916         |
| Disposals                          | -                     | (1,247)                   | (198,670)         | -                            | (54,457)                 | (35,321)                 | -                           | (289,695)         |
| Transfers                          | -                     | 183,051                   | -                 | -                            | -                        | 1,230                    | (184,281)                   | -                 |
| <b>Balance at 31 December 2024</b> | <b>1,420,813</b>      | <b>46,436,066</b>         | <b>41,837,569</b> | <b>850,424</b>               | <b>1,883,287</b>         | <b>1,578,597</b>         | <b>246,069</b>              | <b>94,252,825</b> |
| <b>Depreciation</b>                |                       |                           |                   |                              |                          |                          |                             |                   |
| <b>Balance at 1 January 2023</b>   | 206,269               | 17,503,686                | 27,155,574        | 549,243                      | 1,424,604                | 213,852                  | -                           | 47,053,228        |
| Depreciation for the year          | 31,526                | 2,269,778                 | 2,201,410         | 25,294                       | 93,359                   | 32,836                   | -                           | 4,654,203         |
| Disposals                          | -                     | (363)                     | (486,866)         | (206)                        | (50,294)                 | -                        | -                           | (537,729)         |
| Transfer                           | (10,567)              | 6,432                     | 73,983            | (186)                        | (36,470)                 | (33,192)                 | -                           | -                 |
| <b>Balance at 31 December 2023</b> | <b>227,228</b>        | <b>19,779,533</b>         | <b>28,944,101</b> | <b>574,145</b>               | <b>1,431,199</b>         | <b>213,496</b>           | <b>-</b>                    | <b>51,169,702</b> |
| <b>Balance at 1 January 2024</b>   | <b>227,228</b>        | <b>19,779,533</b>         | <b>28,944,101</b> | <b>574,145</b>               | <b>1,431,199</b>         | <b>213,496</b>           | <b>-</b>                    | <b>51,169,702</b> |
| Depreciation for the year          | 38,768                | 2,908,229                 | 2,058,989         | 55,398                       | 86,135                   | 46,801                   | -                           | 5,194,320         |
| Disposals                          | -                     | (950)                     | (149,903)         | -                            | (8,603)                  | (19,236)                 | -                           | (178,692)         |
| Transfers                          | 789                   | (2,540)                   | 2,388             | 2,558                        | (1,046)                  | (2,149)                  | -                           | -                 |
| <b>Balance at 31 December 2024</b> | <b>266,785</b>        | <b>22,684,272</b>         | <b>30,855,575</b> | <b>632,101</b>               | <b>1,507,685</b>         | <b>238,912</b>           | <b>-</b>                    | <b>56,185,330</b> |
| <b>Carrying amounts</b>            |                       |                           |                   |                              |                          |                          |                             |                   |
| <b>At 1 January 2023</b>           | 1,086,092             | 22,978,515                | 9,613,818         | 11,307                       | 266,083                  | 447,905                  | 429,308                     | 34,833,028        |
| <b>At 31 December 2023</b>         | 1,160,688             | 22,793,806                | 9,444,859         | 100,441                      | 334,822                  | 528,156                  | 203,130                     | 34,565,902        |
| <b>At 31 December 2024</b>         | 1,154,028             | 23,751,794                | 10,981,994        | 218,323                      | 375,602                  | 1,339,685                | 246,069                     | 38,067,495        |

(a) Security

At 31 December 2024 properties with a carrying amount of AMD 8,702,105 thousand (2023: AMD 7,723,567 thousand) are pledged to secure bank loans (see Note 18).

11. Intangible assets

| '000 AMD                                  | Customer base  | Licences and trademarks | Capacity IRU      | Billing system and other software | Total             |
|-------------------------------------------|----------------|-------------------------|-------------------|-----------------------------------|-------------------|
| <b>Cost</b>                               |                |                         |                   |                                   |                   |
| Balance at 1 January 2023                 | 165,170        | 41,122,704              | 15,072,783        | 8,155,173                         | 64,515,830        |
| Additions                                 | -              | 29,666,218              | -                 | 314,984                           | 29,981,202        |
| Disposals                                 | -              | (131,897)               | -                 | -                                 | (131,897)         |
| <b>Balance as at 31 Dec 2023</b>          | <b>165,170</b> | <b>70,657,025</b>       | <b>15,072,783</b> | <b>8,470,157</b>                  | <b>94,365,135</b> |
| Balance at 1 January 2024                 | 165,170        | 70,657,025              | 15,072,783        | 8,470,157                         | 94,365,135        |
| Additions                                 | -              | 1,234,974               | -                 | 347,534                           | 1,582,508         |
| Disposals                                 | -              | (1,153,338)             | -                 | -                                 | (1,153,338)       |
| <b>Balance as at 31 Dec 2024</b>          | <b>165,170</b> | <b>70,738,661</b>       | <b>15,072,783</b> | <b>8,817,691</b>                  | <b>94,794,305</b> |
| <b>Amortisation and impairment losses</b> |                |                         |                   |                                   |                   |
| Balance at 1 January 2023                 | 165,170        | 20,984,769              | 6,379,940         | 5,604,142                         | 33,134,021        |
| Amortisation for the year                 | -              | 3,505,347               | 991,378           | 471,372                           | 4,968,097         |
| Impairment                                | -              | (2,306,000)             | -                 | -                                 | (2,306,000)       |
| Disposals                                 | -              | (131,896)               | -                 | -                                 | (131,896)         |
| <b>Balance at 31 December 2023</b>        | <b>165,170</b> | <b>22,052,220</b>       | <b>7,371,318</b>  | <b>6,075,514</b>                  | <b>35,664,222</b> |
| Balance at 1 January 2024                 | 165,170        | 22,052,220              | 7,371,318         | 6,075,514                         | 35,664,222        |
| Amortisation for the year                 | -              | 3,358,181               | 1,012,000         | 358,723                           | 4,728,904         |
| Impairment                                | -              | (2,231,537)             | -                 | -                                 | (2,231,537)       |
| <b>Balance at 31 December 2024</b>        | <b>165,170</b> | <b>23,178,864</b>       | <b>8,383,318</b>  | <b>6,434,237</b>                  | <b>38,161,589</b> |
| <b>Carrying amounts</b>                   |                |                         |                   |                                   |                   |
| At 1 January 2023                         | -              | 20,137,935              | 8,692,843         | 2,551,031                         | 31,381,809        |
| At 31 December 2023                       | -              | 48,604,805              | 7,701,465         | 2,394,643                         | 58,700,913        |
| At 31 December 2024                       | -              | 47,559,797              | 6,689,465         | 2,383,454                         | 56,632,716        |

As at 31 December 2024 UCom CJSC holds licenses for use of radio-frequency spectrum for provision of mobile and fixed services (the "Permissions"). The Permissions are granted by Public Services Regulatory Commission and allow the Group to provide mobile services. The Group pays annual fee for use of radio-frequency spectrums. The annual fee payables are recognised as intangible asset at their present value.

### **Impairment testing**

During the year ended 31 December 2024 Group continued to incur capital expenditures in connection with the improvements to network quality. The Group's property and equipment and intangible assets were assessed for impairment as at 31 December 2024.

The recoverable amount of the CGU was based on its value in use which was determined by discounting the future cash flows generated from the continuing operations of the Group. The recoverable amount of the CGU was determined to be higher than its carrying amount and no impairment loss was recognised.

### **Key assumptions used in discounted cash flow projections**

Key assumptions used in the calculation of recoverable amounts are discount rate, terminal value growth rates and EBITDA margins. These assumptions are as follows:

**(i) Discount rate**

Pre-tax nominal discount rate of 14.62% was applied in determining the recoverable amount of the CGU. The discount rate was estimated based on past experience, and industry average weighted average cost of capital, which was based on a possible range of debt leveraging of 41.7% at a market interest rate of 12%.

### **Terminal value growth rate**

Cash flows were projected based on past experience, actual operating results and the five-year business plan. A long-term growth rate into perpetuity of 0% long term growth rate has been applied considering that without the development and modernization of telecommunication infrastructures the Group's growth will not be feasible in the future.

**(ii) Budgeted EBITDA margins**

Budgeted EBITDA was estimated based on the past experience of the existing operations, adjusted as follows.

The Group projected revenue growth from estimated sales volume and price growth. As a result decline of EBITDA margin was projected from 52.4% to 50.6% for the 2025-2028 period.

### **Sensitivity to changes in assumptions**

An increase of about 0.33 percentage points in the weighted-average cost of capital combined with a 7.75 % decline in sales revenue, or a 21 percentage-point contraction in the EBITDA margin, would result in impairment recognition.

## 12. Leases

### (a) Leases as lessee

The Group leases a number of premises used for LTE network infrastructure, offices/server spaces, customer service shops as well as leases certain dark fiber optical channels.

Information about leases for which the Group is a lessee is presented below:

#### Right of use assets

| '000 AMD                           | Site<br>greenfield | Site rooftop     | Site pillar      | Other<br>portfolios | Main office    | Shops            | Total            |
|------------------------------------|--------------------|------------------|------------------|---------------------|----------------|------------------|------------------|
| <b>Balance at 1 January 2023</b>   | <b>1,298,336</b>   | <b>2,880,521</b> | <b>1,171,274</b> | <b>21,288</b>       | <b>211,794</b> | <b>2,318,621</b> | <b>7,901,834</b> |
| Additions                          | 263,464            | 323,213          | 217,969          | 285,650             | -              | 372,732          | 1,463,028        |
| Modification                       | (607,620)          | -                | -                | -                   | -              | -                | (607,620)        |
| Depreciation charge for the year   | (118,555)          | (466,406)        | (174,794)        | (290,209)           | (169,435)      | (379,625)        | (1,599,024)      |
| Disposal                           | (59,046)           | (138,387)        | (56,268)         | -                   | -              | -                | (253,701)        |
| <b>Balance at 31 December 2023</b> | <b>776,579</b>     | <b>2,598,941</b> | <b>1,158,181</b> | <b>16,729</b>       | <b>42,359</b>  | <b>2,311,728</b> | <b>6,904,517</b> |
| <b>Balance at 1 January 2024</b>   | <b>776,579</b>     | <b>2,598,941</b> | <b>1,158,181</b> | <b>16,729</b>       | <b>42,359</b>  | <b>2,311,728</b> | <b>6,904,517</b> |
| Additions                          | 132,427            | 113,405          | 106,455          | 346,298             | 996,621        | 157,470          | 1,852,676        |
| Modification                       | 61,020             | -                | -                | -                   | -              | -                | 61,020           |
| Depreciation charge for the year   | (105,098)          | (313,454)        | (254,321)        | (363,027)           | (197,159)      | (432,762)        | (1,665,821)      |
| Disposal                           | (42,298)           | (85,734)         | -                | -                   | -              | (51,903)         | (179,935)        |
| <b>Balance at 31 December 2024</b> | <b>822,630</b>     | <b>2,313,158</b> | <b>1,010,315</b> | <b>-</b>            | <b>841,821</b> | <b>1,984,533</b> | <b>6,972,457</b> |

The lease of office/shop areas typically run for a period of 5 to 10 years, leases of network sites for 5 to 10 years and leases of dark fiber for 10 years.

### Lease liability

| '000 AMD                    | Site<br>greenfield | Site rooftop | Site pillar | Other<br>portfolios | Main office | Shops     | Total       |
|-----------------------------|--------------------|--------------|-------------|---------------------|-------------|-----------|-------------|
| Balance at 1 January 2023   | 1,229,971          | 3,308,759    | 1,987,121   | 128,880             | 257,274     | 2,741,603 | 9,653,608   |
| Additions                   | 62,143             | 323,213      | 217,969     | 285,650             | -           | 372,732   | 1,261,707   |
| Lease modifications         | -                  | -            | -           | -                   | (32,758)    | -         | (32,758)    |
| Interest expense            | 147,217            | 432,590      | 217,489     | 45,395              | 16,094      | 274,089   | 1,132,874   |
| Lease payment               | (225,434)          | (631,899)    | (509,481)   | (314,753)           | (217,801)   | (641,329) | (2,540,697) |
| Lease liability write-off   | (75,795)           | (343,649)    | (68,723)    | 10,403              | -           | -         | (477,764)   |
| Balance at 31 December 2023 | 1,138,102          | 3,089,014    | 1,844,374   | 155,575             | 22,810      | 2,747,095 | 8,996,970   |
| Balance at 1 January 2024   | 1,138,102          | 3,089,014    | 1,844,374   | 155,575             | 22,810      | 2,747,095 | 8,996,970   |
| Additions                   | 45,206             | 101,183      | 86,113      | 343,270             | 996,621     | 32,645    | 1,605,038   |
| Interest expense            | 132,170            | 384,846      | 184,847     | 7,028               | 95,164      | 382,496   | 1,186,551   |
| Lease payment               | (222,234)          | (638,779)    | (523,205)   | (400,741)           | (253,494)   | (724,397) | (2,762,850) |
| Lease liability write-off   | (57,397)           | (109,848)    | -           | (690)               | -           | (60,537)  | (228,472)   |
| Balance at 31 December 2024 | 1,035,847          | 2,826,416    | 1,592,129   | 104,442             | 861,101     | 2,377,302 | 8,797,237   |

### 13. Borrowings provided

The Company has provided borrowing to the entity under common control, as presented in the Note 24 Related parties. Significant terms of the borrowings provided are provided below

|                            | Currency | Effective<br>interest rate | Maturity | 2024      | 2023      |
|----------------------------|----------|----------------------------|----------|-----------|-----------|
| Borrowing to related party | AMD      | 12%                        | 2025     | 1,037,739 | 1,037,739 |
| Borrowing to related party | EUR      | 6%                         | 2025     | 339,154   | 339,154   |
| Total                      |          |                            |          | 1,376,893 | 1,376,893 |

### 14. Inventories

| '000 AMD                    | 31 December 2024 | 31 December 2023 |
|-----------------------------|------------------|------------------|
| Goods for resale            | 898,452          | 997,985          |
| Consumables and spare parts | 478,025          | 615,907          |
|                             | 1,376,477        | 1,613,892        |

**15. Cash and cash equivalents**

| '000 AMD                               | 31 December 2024 | 31 December 2023 |
|----------------------------------------|------------------|------------------|
| Petty cash                             | 316              | 67,564           |
| Cash in transit                        | 191,581          | 98,281           |
| Bank balances                          | 405,183          | 787,068          |
| <b>Total cash and cash equivalents</b> | <b>597,080</b>   | <b>952,913</b>   |

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 22.

**16. Equity**

**(a) Share capital**

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

**(b) Dividends**

No dividends were declared and paid during 2024 and 2023 periods. No dividends were proposed after 31 December 2024 and up to the date these consolidated financial statements were authorised.

**17. Capital management**

The Group has no formal policy for capital management, but management seeks to maintain a sufficient capital base for meeting the Group's operational and strategic needs.

The Group is not subject to externally imposed capital requirements.

## 18. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see Note 22.

| '000 AMD                                        | 31 December<br>2024 | 31 December<br>2023 |
|-------------------------------------------------|---------------------|---------------------|
| <b>Non-current liabilities</b>                  |                     |                     |
| Secured bank loans and credit lines             | 26,648,265          | 21,223,875          |
| Secured borrowings from other related parties   | 3,048,202           | 7,736,594           |
| Unsecured borrowings from other related parties | 5,102,541           | 5,462,641           |
| Unsecured borrowings from shareholders          | 2,412,136           | 2,462,196           |
| Unsecured bank loans and credit lines           | 543,617             | -                   |
|                                                 | <b>37,754,761</b>   | <b>36,885,306</b>   |
| <b>Current liabilities</b>                      |                     |                     |
| Unsecured borrowing from other related parties  | 1,225,340           | 1,170,754           |
| Unsecured bank loans and credit lines           | 139,857             | 697,661             |
| Secured borrowings from other related parties   | 111,607             | 625,568             |
| Secured bank loans and credit lines             | 526,492             | 610,265             |
| Unsecured borrowings from shareholders          | 311,856             | 426,343             |
| Unsecured bank loan from shareholder            | 396,560             | 403,858             |
|                                                 | <b>2,711,712</b>    | <b>3,934,449</b>    |

The Group's secured bank loans are secured by property and equipment (Note 10), shares of UCom CJSC and turnover on bank accounts.

**(a) Terms and debt repayment schedule**

Terms and conditions of outstanding loans were as follows:

| '000 AMD                                        | Currency | Nominal interest rate | Year of maturity* | Face value 31 Dec 2024 | Carrying amount 31 Dec 2024 | Face value 31 Dec 2023 | Carrying amount 31 Dec 2023 |
|-------------------------------------------------|----------|-----------------------|-------------------|------------------------|-----------------------------|------------------------|-----------------------------|
| Unsecured bank loans                            | USD      | 8.5%                  | 2026              | 683,475                | 683,475                     | 697,660                | 697,660                     |
| Secured bank loans and credit lines             | USD      | 8.5%                  | 2028              | 1,191,943              | 1,191,943                   | 1,216,106              | 1,216,106                   |
| Unsecured credit line from shareholder          | USD      | 8.5%                  | 2025              | 396,560                | 396,560                     | 403,858                | 403,858                     |
| Secured bank loans and credit lines             | USD      | 8.75%                 | 2028              | 5,506,099              | 5,506,099                   | 5,620,370              | 5,620,370                   |
| Secured bank loans and credit lines             | USD      | 8.75%                 | 2028              | 14,190,614             | 14,190,614                  | 14,997,664             | 14,997,664                  |
| Secured bank loans and credit lines             | USD      | 8.75%                 | 2028              | 4,858,851              | 4,858,851                   | -                      | -                           |
| Secured bank loans and credit lines             | USD      | 9%                    | 2025              | 10,281                 | 10,281                      | -                      | -                           |
| Unsecured borrowings from other related parties | USD      | 5%                    | 2030              | 1,182,588              | 1,182,588                   | 1,170,458              | 1,170,458                   |
| Secured borrowings from other related parties   | USD      | 9.50%                 | 2027              | 795,597                | 795,597                     | 812,109                | 812,109                     |
| Secured borrowings from other related parties   | AMD      | 12%                   | 2027              | 2,323,330              | 2,323,330                   | 2,364,295              | 2,364,295                   |
| Secured borrowings from other related parties   | USD      | 7.50%                 | 2027              | 40,882                 | 40,882                      | 1,852,510              | 1,852,510                   |
| Unsecured borrowings from other related parties | EUR      | 6m. Libor+6%          | 2024              | -                      | -                           | 3,333,214              | 3,333,214                   |
| Unsecured borrowings from other related parties | EUR      | 5.5%-8.5%             | 2028              | 5,146,226              | 5,146,226                   | 5,462,974              | 5,462,974                   |
| Unsecured borrowings from shareholders          | USD      | 6%                    | 2030              | 2,723,992              | 2,723,992                   | 2,888,537              | 2,888,537                   |
| Secured bank loans and credit lines             | USD      | 6.17%                 | 2029              | 1,426,316              | 1,426,316                   | -                      | -                           |
|                                                 |          |                       |                   | <b>40,466,473</b>      | <b>40,466,473</b>           | <b>40,819,755</b>      | <b>40,819,755</b>           |

\*Year of maturity is presented for balances outstanding as at 31 December 2024 based on amended agreements effective at that date.

The Group's secured bank loans are secured by property and equipment (Note 10), shares in UCom CJSC and turnover on bank accounts.

(b) Reconciliation of movements of liabilities to cash flows arising from financing activities

Other loans and borrowings

| '000 AMD                                        | 2024        | 2023         |
|-------------------------------------------------|-------------|--------------|
| Balance at 1 January                            | 40,819,755  | 42,690,728   |
| Changes from financing cash flows               |             |              |
| Loans and borrowings received                   | 5,131,484   | 15,580,957   |
| Repayment of loans and borrowings               | (5,962,492) | (14,329,430) |
| Interest paid                                   | (3,173,146) | (3,188,843)  |
| Total changes from financing cash flows         | (4,004,154) | (1,937,316)  |
| The effect of changes in foreign exchange rates | (1,177,436) | 1,438,549    |
| Other changes                                   |             |              |
| Waiver of loan repayments                       | -           | (4,356,835)  |
| Non-cash loan received                          | 1,610,972   | -            |
| Interest expense                                | 3,217,336   | 2,984,629    |
| Total liability-related other changes           | 4,828,308   | (1,372,206)  |
| Balance at 31 December                          | 40,466,473  | 40,819,755   |

19. Provisions

| '000 AMD                                     | Site restoration<br>31 December 2024 | 31 December 2023 |
|----------------------------------------------|--------------------------------------|------------------|
| Opening balance                              | 1,796,401                            | 2,344,938        |
| Provisions made / (reversed) during the year | 148,457                              | (669,740)        |
| Provisions used during the year              | (13,421)                             | (7,524)          |
| Unwind of discount (Note 8)                  | 4,946                                | 128,727          |
| Closing balance                              | 1,936,383                            | 1,796,401        |

In accordance with Armenian legislation, areas leased by the Group for its network sites must be restored to their original condition and assets installed should be removed after termination of lease agreements. The provision was estimated by considering risks related to amount and timing of restoration costs. The average timing for restoration is assessed 25 years from the reporting date on the basis of economic lives of the assets installed and the expectations of future technological changes. The present value of restoration costs was determined by discounting the estimated restoration cost using a nominal risk-free rate of 4.60% (2023: 5.41%). Because of the long-term nature of the liability, the greatest uncertainty in estimating the provision is the costs that will be incurred and the timing of restorations.

In providing for the cost of site restoration management has consulted with its in-house engineers who have considered the different types of network sites, activities necessary for dismantling and average cost for each activity.

20. Contract liabilities

| '000 AMD                                         | 31 December 2024 | 31 December 2023 |
|--------------------------------------------------|------------------|------------------|
| <i>Non-current liabilities</i>                   |                  |                  |
| Advances received under IRU contracts            | 6,541,453        | 6,965,916        |
| Deferred revenue from network connection service | 67,084           | 91,235           |
|                                                  | <b>6,608,537</b> | <b>7,057,151</b> |
| <i>Current liabilities</i>                       |                  |                  |
| Advances received under IRU contracts            | 570,230          | 475,766          |
| Advance consideration received from subscribers  | 197,695          | 317,783          |
| Deferred revenue from network connection service | 48,133           | 56,045           |
|                                                  | <b>816,058</b>   | <b>849,594</b>   |

21. Trade and other payables

| '000 AMD                              | 31 December 2024  | 31 December 2023  |
|---------------------------------------|-------------------|-------------------|
| <i>Non-current payables</i>           |                   |                   |
| Spectrum fee                          | 25,410,323        | 27,318,405        |
|                                       | <b>25,410,323</b> | <b>27,318,405</b> |
| <i>Current payables</i>               |                   |                   |
| Trade payables                        | 5,746,963         | 5,159,790         |
| Spectrum fee                          | 2,601,012         | 2,631,471         |
| Vacation reserve                      | 841,727           | 800,857           |
| VAT payable                           | 405,657           | 451,101           |
| Other taxes payable                   | 243,205           | 246,431           |
| Other payables                        | 936,919           | 812,278           |
|                                       | <b>10,775,483</b> | <b>10,101,928</b> |
| <b>Total trade and other payables</b> | <b>36,185,806</b> | <b>37,420,333</b> |

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 22.

22. Fair values and risk management

(a) Fair values of financial instruments

Management estimates that the fair value of all the financial assets and liabilities approximate their carrying amounts, due to short term nature of assets and liabilities or proximity to market rates born for long term assets and liabilities.

**(b) Financial risk management**

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

**Risk management framework**

The management of the Group has overall responsibility for the establishment and oversight of the Group's risk management framework. The management of the Group is well informed of the risks and challenges of the industry. The political, social and economic factors are all accumulated to arrive at strategic decisions. The management also, through its training and activities, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

**(c) Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The carrying amount of financial assets and contract assets represents the maximum credit risk exposure. The maximum exposure to credit risk at the reporting date was as follows:

| '000 AMD                          | Carrying amount  |                  |
|-----------------------------------|------------------|------------------|
|                                   | 2024             | 2023             |
| Trade receivables                 | 6,075,829        | 6,310,421        |
| Borrowings provided               | 1,376,893        | 1,376,893        |
| Bank balances and cash in transit | 596,765          | 885,349          |
|                                   | <b>8,049,487</b> | <b>8,572,663</b> |

**Trade receivables**

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the country in which customers operate. Details of concentration of revenue are included in Note 5.

The Group transacts with individuals and corporate customers in sales of goods and rendering of services. No single customer accounts for revenue over 10% from sales transactions. Credit risk is managed by requesting up-front payments from the large customers in relation to long-term contracts.

For other revenue contracts the Group assesses customers' creditworthiness before the Group's standard payment and service terms and conditions are offered. For its corporate and end-user corporate customers the Group monitors the credit risk individually by assessing the creditworthiness of each customer based on the ageing profile, industry, maturity and existence of previous financial difficulties.

The Group does not require collateral in respect of trade receivables.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was as follows

| '000 AMD              | Carrying amount  |                  |
|-----------------------|------------------|------------------|
|                       | 2024             | 2023             |
| Domestic              | 1,622,942        | 838,224          |
| Middle East countries | 3,874,901        | 3,955,702        |
| Euro-zone countries   | 420,302          | 1,004,126        |
| Other CIS countries   | 58,201           | 234,508          |
| United States         | 11,640           | 28,885           |
| Others                | 87,843           | 248,976          |
|                       | <b>6,075,829</b> | <b>6,310,421</b> |

The Group's most significant customer, a mobile operator and wholesaler customer, accounts for AMD 3,533,793 thousand of the amount of trade receivables as at 31 December 2024 (31 December 2023: AMD 3,606,372 thousand).

#### Expected credit loss assessment for corporate and individual customers

The Group assesses trade receivables from corporate customers with outstanding balance of greater than AMD 20,000 thousand individually. The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from Moody's rating agency. The Group calculates an ECL rate for individually assessed trade receivables based on delinquency status and actual payment pattern during 12-month period.

The following table sets out information about exposure to credit risk, ECLs and credit quality of trade receivables assessed individually as at 31 December 2024 and 2023 respectively

| 2024<br>'000 AMD                                | Lifetime ECL<br>not impaired | Lifetime ECL<br>impaired | Total       |
|-------------------------------------------------|------------------------------|--------------------------|-------------|
| Gross corporate customers assessed individually | 2,703,460                    | 4,069,375                | 6,772,835   |
| Expected credit losses                          | (9,684)                      | (1,500,813)              | (1,510,497) |
| Net corporate customers assessed individually   | 2,693,776                    | 2,568,562                | 5,262,338   |
| 2023<br>'000 AMD                                | Lifetime ECL<br>not impaired | Lifetime ECL<br>impaired | Total       |
| Gross corporate customers assessed individually | 2,873,433                    | 3,669,522                | 6,542,955   |
| Expected credit losses                          | (29,645)                     | (1,694,774)              | (1,724,418) |
| Net corporate customers assessed individually   | 2,843,788                    | 1,974,748                | 4,818,537   |

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external credit ratings, information on potential financial difficulties and information on past due days) and applying experienced credit judgement.

The following table provides information about the exposure to credit risk and ECLs for corporate and individual trade receivables assessed collectively as at 31 December 2024 and 2023:

| 2024                    | Gross corporate customers assessed collectively  | Expected credit losses | Expected credit loss rates | Net corporate customers assessed collectively  |
|-------------------------|--------------------------------------------------|------------------------|----------------------------|------------------------------------------------|
| '000 AMD                |                                                  |                        |                            |                                                |
| Not past due            | 792,376                                          | (5,470)                | 0.7%                       | 786,906                                        |
| Past due 0 - 30 days    | 56,930                                           | (6,445)                | 11.3%                      | 50,485                                         |
| Past due 31 - 90 days   | 79,098                                           | (17,105)               | 21.6%                      | 61,993                                         |
| Past due 91 - 180 days  | 36,403                                           | (15,806)               | 43.4%                      | 20,597                                         |
| Past due 181 - 270 days | 30,217                                           | (16,345)               | 54.1%                      | 13,872                                         |
| Past due 271 - 365 days | 65,420                                           | (65,326)               | 99.9%                      | 93                                             |
| More than one year      | 475,572                                          | (475,572)              | 100.0%                     | -                                              |
|                         | <b>1,536,016</b>                                 | <b>(602,069)</b>       | <b>39.0%</b>               | <b>933,946</b>                                 |
| 2023                    | Gross corporate customers assessed collectively  | Expected credit losses | Expected credit loss rates | Net corporate customers assessed collectively  |
| '000 AMD                |                                                  |                        |                            |                                                |
| Not past due            | 887,572                                          | (2,504)                | 0.3%                       | 885,068                                        |
| Past due 0 - 30 days    | 34,544                                           | (4,412)                | 12.8%                      | 30,132                                         |
| Past due 31 - 90 days   | 56,171                                           | (15,408)               | 27.4%                      | 40,763                                         |
| Past due 91 - 180 days  | 52,929                                           | (19,334)               | 36.5%                      | 33,595                                         |
| Past due 181 - 270 days | 38,573                                           | (24,494)               | 63.5%                      | 14,079                                         |
| Past due 271 - 365 days | 12,250                                           | (11,142)               | 91.0%                      | 1,108                                          |
| More than one year      | 395,383                                          | (395,383)              | 100.0%                     | -                                              |
|                         | <b>1,477,422</b>                                 | <b>(472,677)</b>       | <b>32.0%</b>               | <b>1,004,745</b>                               |
| 2024                    | Gross individual customers assessed collectively | Expected credit losses | Expected credit loss rates | Net individual customers assessed collectively |
| '000 AMD                |                                                  |                        |                            |                                                |
| Not past due            | 335,553                                          | (13,793)               | 4.0%                       | 321,760                                        |
| Past due 0 - 30 days    | 51,911                                           | (12,759)               | 25.0%                      | 39,152                                         |
| Past due 31 - 90 days   | 47,611                                           | (27,709)               | 58.0%                      | 19,902                                         |
| Past due 91 - 180 days  | 52,645                                           | (44,065)               | 84.0%                      | 8,580                                          |
| Past due 181 - 270 days | 65,099                                           | (60,111)               | 92.0%                      | 4,987                                          |
| Past due 271 - 365 days | 49,227                                           | (48,283)               | 98.0%                      | 944                                            |
| More than one year      | 1,612,928                                        | (1,612,928)            | 100.0%                     | -                                              |
|                         | <b>2,214,974</b>                                 | <b>(1,819,648)</b>     | <b>82.0%</b>               | <b>395,325</b>                                 |

| 2023                    | Gross individual customers assessed collectively | Expected credit losses | Expected credit loss rates | Net individual customers assessed collectively |
|-------------------------|--------------------------------------------------|------------------------|----------------------------|------------------------------------------------|
| '000 AMD                |                                                  |                        |                            |                                                |
| Not past due            | 414,405                                          | (22,608)               | 5.0%                       | 391,797                                        |
| Past due 0 - 30 days    | 72,483                                           | (21,893)               | 30.0%                      | 50,590                                         |
| Past due 31 - 90 days   | 50,582                                           | (26,166)               | 52.0%                      | 24,416                                         |
| Past due 91 - 180 days  | 46,836                                           | (33,277)               | 71.0%                      | 13,559                                         |
| Past due 181 - 270 days | 41,778                                           | (36,076)               | 86.0%                      | 5,702                                          |
| Past due 271 - 365 days | 34,253                                           | (33,177)               | 97.0%                      | 1,076                                          |
| More than one year      | 1,656,169                                        | (1,656,169)            | 100.0%                     | -                                              |
|                         | <b>2,316,506</b>                                 | <b>(1,829,366)</b>     | <b>79.0%</b>               | <b>487,140</b>                                 |

The Group uses an allowance matrix to measure the ECLs of trade receivables from corporate customers not assessed individually and trade receivables from individual customers, which comprise a very large number of small balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for customers in different segments based on the type of services purchased. Loss rates are based on actual credit loss experience over the past two years. For collectively assessed receivables an impairment rate of 100% was applied to gross trade and other receivables from customers overdue by more than 365 days, with lower impairment rates applied for ageing categories of trade and other receivables that are overdue for shorter periods.

#### ***Movements in the allowance for impairment in respect of trade receivables***

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

| '000 AMD                                   | 2024               | 2023               |
|--------------------------------------------|--------------------|--------------------|
| Balance at the beginning of the year       | (4,026,461)        | (4,433,081)        |
| Impairment loss recognised                 | (97,596)           | (227,286)          |
| Effect of change in foreign exchange rates | (76,022)           | (27,616)           |
| Write off of receivables                   | 83,849             | 661,522            |
| Balance at the end of the year             | <b>(4,116,230)</b> | <b>(4,026,461)</b> |

#### ***Bank balances***

The Group held bank balances of AMD 405,183 thousand at 31 December 2024 (2023: AMD 787,068 thousand). From total bank balances AMD 259,823 thousand are held with Armenian banks with credit rating of Ba3-B2.

Per the Group's assessment no impairment loss is recognized on current accounts held in banks primarily due to their short maturities.

#### **(d) Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

For this purpose the Group makes short-term forecasts for cash flows based on financial needs conditioned by the nature of operating and investing activities. As a rule these needs are envisaged for an annual and monthly basis. The Group aims to maintain the level of cash and cash equivalents

at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the succeeding 60 days.

The following are the contractual maturities of financial liabilities, including estimated interest payments.

| 2024<br>'000 AMD                                | Carrying<br>amount | Contractual cash flows |                                           |             |            |            |                 |
|-------------------------------------------------|--------------------|------------------------|-------------------------------------------|-------------|------------|------------|-----------------|
|                                                 |                    | Total                  | On demand<br>and less<br>than 2<br>months | 2-12 months | 1-2 years  | 2-5 years  | Over 5<br>years |
| Non-derivative financial liabilities            |                    |                        |                                           |             |            |            |                 |
| Secured bank loans and credit lines             | 27,174,757         | 34,766,577             | 401,228                                   | 2,335,615   | 5,655,485  | 26,374,249 | -               |
| Unsecured bank loans                            | 683,475            | 762,087                | 31,737                                    | 155,614     | 574,736    | -          | -               |
| Unsecured bank loan from shareholder            | 396,560            | 423,441                | 3,940                                     | 419,501     | -          | -          | -               |
| Unsecured borrowings from shareholders          | 2,723,992          | 3,433,097              | 23,394                                    | 121,334     | 144,728    | 434,184    | 2,709,457       |
| Unsecured borrowings from other related parties | 6,328,815          | 7,335,213              | 48,599                                    | 252,056     | 300,655    | 5,547,222  | 1,186,681       |
| Secured borrowings from other related parties   | 3,159,809          | 3,862,326              | 60,465                                    | 396,550     | 1,768,307  | 1,637,004  | -               |
| Other liabilities                               | 120,607            | 120,607                | 120,607                                   | -           | -          | -          | -               |
| Trade payables                                  | 5,482,525          | 5,482,525              | 5,482,525                                 | -           | -          | -          | -               |
| Spectrum fee payable                            | 28,011,336         | 37,467,010             | -                                         | 2,676,215   | 2,676,215  | 10,704,860 | 21,409,720      |
| Lease payables                                  | 8,797,237          | 11,021,764             | 587,669                                   | 1,559,572   | 1,825,739  | 5,143,809  | 1,904,975       |
|                                                 | 82,879,113         | 104,674,647            | 6,760,164                                 | 7,916,457   | 12,945,865 | 49,841,328 | 27,210,833      |

| 2023<br>'000 AMD                                | Carrying<br>amount | Contractual cash flows |                                        |             |           |            |              |
|-------------------------------------------------|--------------------|------------------------|----------------------------------------|-------------|-----------|------------|--------------|
|                                                 |                    | Total                  | On demand<br>and less than<br>2 months | 2-12 months | 1-2 years | 2-5 years  | Over 5 years |
| Non-derivative financial liabilities            |                    |                        |                                        |             |           |            |              |
| Secured bank loans and credit lines             | 21,834,140         | 29,759,889             | 838,532                                | 1,543,056   | 1,974,886 | 25,403,415 | -            |
| Unsecured bank loans                            | 697,661            | 834,192                | 834,192                                | -           | -         | -          | -            |
| Unsecured bank loans from shareholders          | 403,858            | 439,835                | 6,876                                  | 432,959     | -         | -          | -            |
| Unsecured borrowings from shareholders          | 2,888,539          | 3,820,194              | 483,279                                | 123,513     | 147,732   | 443,195    | 2,622,475    |
| Unsecured borrowings from other related parties | 6,633,395          | 8,028,541              | 1,221,679                              | 269,835     | 321,863   | 5,178,300  | 1,036,864    |
| Secured borrowings from other related parties   | 8,362,163          | 10,532,875             | 181,734                                | 1,214,938   | 1,803,082 | 7,333,121  | -            |
| Other liabilities                               | 120,607            | 120,607                | 120,607                                | -           | -         | -          | -            |
| Trade payables                                  | 5,159,790          | 5,159,790              | 5,159,790                              | -           | -         | -          | -            |
| Spectrum fee payable                            | 29,949,876         | 42,774,696             | 2,631,471                              | 2,676,215   | 2,676,215 | 10,704,860 | 24,085,935   |
| Lease payables                                  | 8,996,970          | 13,321,554             | 696,838                                | 1,499,237   | 1,780,893 | 5,773,562  | 3,571,024    |
|                                                 | 85,046,998         | 114,792,173            | 12,174,998                             | 7,759,753   | 8,704,671 | 54,836,453 | 31,316,298   |

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

**(e) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial

instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group does not apply hedge accounting in order to manage volatility in profit or loss.

#### Currency risk

The Group is exposed to currency risk on purchases and borrowings that are denominated in a currency other than the functional currency, primarily the U.S. Dollar (USD) and Euro (EUR).

#### Exposure to currency risk

The Group's exposure to foreign currency risk was as follows:

| '000 AMD                  | USD-<br>denominated<br>2024 | EUR-<br>denominated<br>2024 | USD-<br>denominated<br>2023 | EUR-<br>denominated<br>2023 |
|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Trade receivables         | 3,412,606                   | 1,026,369                   | 3,523,893                   | 1,093,772                   |
| Cash and cash equivalents | 47,628                      | 5,628                       | 332,946                     | 98,318                      |
| Borrowings provided       | -                           | 339,154                     | -                           | 339,154                     |
| Trade and other payables  | (1,587,173)                 | (1,243,728)                 | (2,764,049)                 | (577,661)                   |
| Loans and borrowings      | (32,997,852)                | (5,146,226)                 | (29,659,233)                | (8,796,227)                 |
| Other liabilities         | (98,364)                    | -                           | (98,364)                    | -                           |
| Gross exposure            | <u>(31,223,155)</u>         | <u>(5,018,803)</u>          | <u>(28,664,807)</u>         | <u>(7,842,644)</u>          |

The following significant exchange rates applied during the year:

| in AMD | Average rate |        | Reporting date spot rate |        |
|--------|--------------|--------|--------------------------|--------|
|        | 2024         | 2023   | 2024                     | 2023   |
| USD 1  | 392.70       | 392.50 | 396.56                   | 404.79 |
| EUR 1  | 424.90       | 424.60 | 413.89                   | 447.90 |

#### Sensitivity analysis

A reasonably possible strengthening of the AMD, as indicated below, against USD and EUR at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and profit or loss before taxes by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

| '000 AMD                         | USD            | EUR            |
|----------------------------------|----------------|----------------|
|                                  | Profit or loss | Profit or loss |
| 31 December 2024 (10% movement)  | 3,122,315      | 501,880        |
| 31 December 2023 (10% movement)) | 2,866,481      | 784,264        |

A 10% weakening of the AMD against the USD and EUR at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

#### Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgment to

decide whether it believes that a fixed or variable rate would be more favourable to the Group over the expected period until maturity.

**Exposure to interest rate risk**

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

| '000 AMD                  | Carrying amount   |                   |
|---------------------------|-------------------|-------------------|
|                           | 2024              | 2023              |
| Fixed rate instruments    |                   |                   |
| Financial liabilities     | 39,783,929        | 36,788,877        |
|                           | <b>39,783,929</b> | <b>36,788,877</b> |
| Variable rate instruments |                   |                   |
| Financial liabilities     | 683,471           | 4,030,874         |
|                           | <b>683,471</b>    | <b>4,030,874</b>  |

**Fair value sensitivity analysis for fixed rate instruments**

The Group does not account for any fixed rate financial instruments as fair value through profit or loss or as available-for-sale. Therefore, a change in interest rates at the reporting date would not have an effect in profit or loss or in equity.

**Cash flow sensitivity analysis for variable rate instruments**

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss net of taxes by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

| '000 AMD                    | Profit or loss   |                 |
|-----------------------------|------------------|-----------------|
|                             | 100 bp increase  | 100 bp decrease |
| 2024                        |                  |                 |
| Variable rate instruments   | (26,357)         | 26,357          |
| Cash flow sensitivity (net) | <b>(26,357)</b>  | <b>26,357</b>   |
| 2023                        |                  |                 |
| Variable rate instruments   | (155,447)        | 155,447         |
| Cash flow sensitivity (net) | <b>(155,447)</b> | <b>155,447</b>  |

**23. Contingencies**

**(a) Insurance**

The insurance industry in the Republic of Armenia is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

**(b) Litigations**

The Group does not have litigations that may have a material effect on the Group's consolidated financial position.

**(c) Taxation contingencies**

The taxation system in Armenia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to varying interpretation. Taxes are subject to review and investigation by tax authorities, which have the authority to impose fines and penalties. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by tax authorities once three years have elapsed from the date of the breach.

Transfer pricing legislation enacted in the Republic of Armenia starting from 1 January 2020. The legislation is effective for the financial year 2020 and onwards. The local transfer pricing rules are closer to OECD guidelines, but with uncertainty in practical application of tax legislation in certain circumstances.

Transfer pricing rules introduce an obligation for the taxpayers to prepare transfer pricing documentation with respect to controlled transactions and prescribe basis and mechanisms for accruing additional taxes and interest in case prices in the controlled transactions differ from the market level.

Transfer pricing rules apply to the transactions listed below, if the total amount of the controlled transaction exceeds AMD 200 million in the tax year:

- cross-border transactions between related parties;
- cross-border transactions with companies registered in offshore zones, regardless of being related party or not;
- certain in-country transactions between related parties, as determined under the Armenian tax code.

These circumstances may create tax risks in Armenia that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Armenian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

**(d) Purchase commitments**

The Company has entered into purchase commitments with suppliers for telecommunication equipment. As of 31 December 2024, the total value of these commitments is AMD 3,633,893 thousand (2023: AMD 6,493,160 thousand).

**24. Related parties**

**(a) Control relationships**

The Group's ownership structure is as follows:

|                                       |        |
|---------------------------------------|--------|
| IU Telecommunicate LLC                | 29.09% |
| Aram Khachatryan                      | 24.35% |
| Gurgen Khachatryan                    | 11.91% |
| Artyom Khachatryan                    | 11.91% |
| Fora Bank Joint-Stock Commercial Bank | 10.50% |
| Surik Poghosyan                       | 6.30%  |
| Aleksandr Yesayan                     | 2.97%  |
| Hayk Yesayan                          | 2.97%  |

IU Telecommunicate LLC is owned by Gurgen Khachatryan and Artyom Khachatryan, in equal proportion of shares. The Group has no ultimate controlling party.

(b) **Transactions with key management personnel**

(i) **Key management remuneration**

Key management received the following remuneration during the year, which is included in personnel costs:

| '000 AMD             | 2024      | 2023    |
|----------------------|-----------|---------|
| Salaries and bonuses | 1,109,565 | 849,197 |

(c) **Other related party transactions**

The Group's other related party transactions are disclosed below.

(i) **Revenue and other income**

| '000 AMD                                                                                 | Transaction value for the year ended 31 December |         | Outstanding balance as at 31 December |        |
|------------------------------------------------------------------------------------------|--------------------------------------------------|---------|---------------------------------------|--------|
|                                                                                          | 2024                                             | 2023    | 2024                                  | 2023   |
| <b>Sale of goods, property and equipment and intangible assets and services provided</b> |                                                  |         |                                       |        |
| Entities under control of shareholders                                                   | 14,286                                           | 2,741   | 87,736                                | 72,972 |
| Other related parties                                                                    | 1,757                                            | 1,171   | 1105                                  | 629    |
| Other                                                                                    |                                                  |         |                                       |        |
| Entities under control of shareholders                                                   | 18,351                                           | 116,574 | -                                     | -      |

(ii) **Expenses**

| '000 AMD                               | Transaction value for the year ended 31 December |         | Outstanding balance as at 31 December |       |
|----------------------------------------|--------------------------------------------------|---------|---------------------------------------|-------|
|                                        | 2024                                             | 2023    | 2024                                  | 2023  |
| <b>Lease of premises:</b>              |                                                  |         |                                       |       |
| Entities under control of shareholders | 84,518                                           | 80,129  | 7,304                                 | 6,721 |
| <b>Other services received:</b>        |                                                  |         |                                       |       |
| Entities under control of shareholders | 350,159                                          | 105,309 | 37,433                                | 2,361 |
| <b>Other prepayments given:</b>        |                                                  |         |                                       |       |
| Entities under control of shareholders | 49,415                                           | 8,000   | -                                     | -     |

**(iii) Borrowings received**

| '000 AMD                               | Transaction value for the year ended 31 December |      | Outstanding balance as at 31 December |            |
|----------------------------------------|--------------------------------------------------|------|---------------------------------------|------------|
|                                        | 2024                                             | 2023 | 2024                                  | 2023       |
| Borrowings received:                   |                                                  |      |                                       |            |
| Entities under control of shareholders | (5,910,959)                                      | -    | 9,488,455                             | 15,399,414 |
| Shareholders                           | (164,545)                                        | -    | 2,723,992                             | 2,888,537  |
| Other                                  | (2,997)                                          | -    | 120,067                               | 123,064    |

**(iv) Borrowings provided**

| '000 AMD                               | Transaction value for the year ended 31 December |      | Outstanding balance as at 31 December |           |
|----------------------------------------|--------------------------------------------------|------|---------------------------------------|-----------|
|                                        | 2024                                             | 2023 | 2024                                  | 2023      |
| Borrowings provided:                   |                                                  |      |                                       |           |
| Entities under control of shareholders | -                                                | -    | 1,376,893                             | 1,376,893 |

**25. Subsidiaries**

On 7 June 2018 the Company established a new entity UPay CJSC.

| Subsidiary | Country of incorporation | 2024             | 2023             |
|------------|--------------------------|------------------|------------------|
|            |                          | Ownership/voting | Ownership/voting |
| UPay CJSC  | Republic of Armenia      | 100%             | 100%             |

**26. Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis.

**27. Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities.

**(a) Basis of consolidation**

**(i) Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-

controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

**(ii) Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**(b) Revenue**

Information about the Group's accounting policies relating to contracts with customers is provided in Note 5(d).

**(c) Finance income and costs**

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- unwinding of discount on receivables and payables;
- foreign currency gain or loss on financial assets and financial liabilities;
- interest expense on lease liability included in finance costs.

Interest income or expense is recognised using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

**(d) Foreign currency transactions**

Transactions in foreign currencies are translated to AMD at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to AMD at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising in retranslation are recognised in profit or loss.

**(e) Short-term employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this

amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

**(f) Income tax**

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

**(i) Current tax**

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

**(ii) Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

**(g) Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the

inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

**(h) Property and equipment**

**(i) Recognition and measurement**

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and is recognised net within other income/other expenses in profit or loss.

**(ii) Subsequent expenditure**

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

**(iii) Depreciation**

Items of property and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of significant items of property and equipment for the current and comparative periods are as follows:

|                             |                                  |
|-----------------------------|----------------------------------|
| – buildings                 | 40 years                         |
| – network infrastructure    | 5-25 years                       |
| – equipment                 | 1-10 years                       |
| – transportation facilities | 5 years                          |
| – fixtures and fittings     | 1-5 years                        |
| – leasehold improvements    | lower of lease term and 20 years |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**(i) Intangible assets**

**(i) Indefinite useful life intangible assets**

Spectrum fees paid upfront are classified as indefinite useful life intangible assets. These assets are carried at cost and reviewed for impairment annually.

**(ii) Other intangible assets**

Intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

**(iii) Subsequent expenditure**

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the profit or loss as incurred.

**(iv) Amortisation**

Amortisation is calculated over the cost of the asset, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

|                           |            |
|---------------------------|------------|
| – licences and trademarks | 1-16 years |
| – billing system          | 10 years   |
| – other software          | 1-10 years |
| – customer base           | 8 years    |
| – capacity IRU            | 5-15 years |

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

**(j) Financial instruments**

**(i) Recognition and initial measurement**

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

**(ii) Classification and subsequent measurement**

**Financial assets**

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

#### **Financial assets - Business model assessment**

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

#### **Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest**

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

#### **Financial assets - Subsequent measurement and gains and losses**

Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

#### **Financial liabilities - Classification, subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortized cost and are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Other financial liabilities comprise loans and borrowings, bank overdrafts and trade and other payables.

### **(iii) Modification of financial assets and financial liabilities**

#### **Financial assets**

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as 'substantial modification'), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

The Group performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Group assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In making this evaluation the Group analogizes to the guidance on the derecognition of financial liabilities.

The Group concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial asset;
- change in collateral or other credit enhancement;
- change of terms of financial asset that lead to non-compliance with SPPI criterion (e.g. inclusion of conversion feature).

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

#### **Financial liabilities**

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

If a modification (or exchange) does not result in the derecognition of the financial liability the Group applies accounting policy consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset, i.e. the Group recognises any adjustment to the amortised cost of the financial liability arising from such a modification (or exchange) in profit or loss at the date of the modification (or exchange).

Changes in cash flows on existing financial liabilities are not considered as modification, if they result from existing contractual terms, e.g. changes in fixed interest rates initiated by banks due to changes in the CBA key rate, if the loan contract entitles banks to do so and the Group have an option to either accept the revised rate or redeem the loan at par without penalty. The Group treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

Group performs a quantitative and qualitative evaluation of whether the modification is substantial considering qualitative factors, quantitative factors and combined effect of qualitative and quantitative factors. The Group concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion option;
- change in the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

#### **(iv) Derecognition**

##### **Financial assets**

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

#### **Financial liabilities**

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

#### **Interest rate benchmark reform**

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changed as a result of interest rate benchmark reform, the Group updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis - i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Group applied the policies on accounting for modifications to the additional changes.

#### **(v) Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

#### **(k) Share capital**

##### *Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

#### **(l) Impairment**

##### **(i) Non-derivative financial assets**

##### *Financial instruments and contract assets*

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost. The Group measures loss allowance at an amount equal to lifetime ECLs. Loss allowances for collectively assessed trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable

information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

#### *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

#### *Credit-impaired financial assets*

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

#### **Presentation of allowance for ECL in the statement of financial position**

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

#### *Write-off*

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate non-billing customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

**(ii) Non-financial assets**

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

For the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(m) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance costs.

**Site restoration**

In accordance with the applicable legal requirements, a provision for site restoration in respect of leased areas for installed network facilities, is recognised when the facilities are installed.

**(n) Leases**

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**As a lessee**

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets.

**As a lessor**

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

**(o) Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with other components of the Group. All operating segments' operating results are reviewed regularly by the chief decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Management considers that the Group comprises of one operating segment.

**28. New standards and interpretations not yet adopted**

A number of new standards are effective for annual periods beginning after 1 January 2025 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

*Lack of Exchangeability (Amendment to IAS 21)*

On 15 August 2023, the IASB issued Lack of Exchangeability which amended IAS 21 The Effects of Changes in Foreign Exchange Rates (the Amendments). The Amendments arose as a result of a submission received by the IFRS Interpretations Committee about the determination of the exchange rate when there is a long-term lack of exchangeability. IAS 21, prior to the Amendments, did not include explicit requirements for the determination of the exchange rate when a currency is not exchangeable into another currency, which led to diversity in practice. The Committee recommended that the IASB develop narrow scope amendments to IAS 21 to address this issue. After further deliberations, the IASB issued an exposure draft of the proposed amendments to IAS 21 in April 2021 and the final amendments were issued in August 2023. The Amendments introduce requirements to assess when a currency is exchangeable into another currency and when it is not.

The Amendments require an Group to estimate the spot exchange rate when it concludes that a currency is not exchangeable into another currency.

The following changes will enter into force for the period starting on 1 January 2026.

*Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)*

In response to matters that had been raised to the IFRS Interpretations Committee as well as matters that arose during the post-implementation review of classification and

measurement requirements of IFRS 9 Financial Instruments, in May 2024, the IASB issued Amendments to the Classification and Measurement of Financial Instruments. The Amendments modify the following requirements in IFRS 9 and IFRS 7:

**Derecognition of financial liabilities**

- Derecognition of financial liabilities settled through electronic transfers.

**Classification of financial assets**

- Elements of interest in a basic lending arrangement (the solely payments of principle and interest assessment - 'SPPI test')
- Contractual terms that change the timing or amount of contractual cash flows
- Financial assets with non-recourse features
- Investments in contractually linked instruments.

**Disclosures**

- Investments in equity instruments designated at fair value through other comprehensive income
- Contractual terms that could change the timing or amount of contractual cash flows.

The Amendments may significantly affect how entities account for the derecognition of financial liabilities and how financial assets are classified. The Amendments permit an Group to early adopt only the amendments related to the classification of financial assets and the related disclosures and apply the remaining amendments later. This would be particularly useful to entities that wish to apply the Amendments early for financial instruments with ESG (Environmental, Social and Governance)-linked or similar features.

*Annual Improvements to IFRS Accounting Standards*

Annual improvements are limited to changes that either clarify the wording in an IFRS Accounting Standard, or correct relatively minor unintended consequences, oversights or conflicts between requirements of the Accounting Standards. The proposed improvements are packaged together in one document. This cycle of annual improvements addresses the following:

- Hedge Accounting by a First-time Adopter (Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards)
- Disclosure of Deferred Difference between Fair Value and Transaction Price Amendments to Guidance on implementing IFRS 7)
- Gain or Loss on Derecognition (Amendments to IFRS 7)
- Introduction and Credit Risk Disclosures (Amendments to Guidance on implementing IFRS 7)
- Derecognition of Lease Liabilities (Amendments to IFRS 9)
- Transaction Price (Amendments to IFRS 9)
- Determination of a 'De Facto Agent' (Amendments to IFRS 10)
- Cost Method (Amendments to IAS 7).

The final amendments were issued in July 2024.

The following changes will enter into force for the period starting on 1 January 2027.

#### *IFRS 18 Presentation and Disclosure in Financial Statements*

IFRS 18 Presentation and Disclosure in Financial Statements replaces IAS 1 Presentation of Financial Statements and is mandatorily effective for annual reporting periods beginning on or after 1 January 2027. IFRS 18, which was published by the IASB on 9 April 2024, sets out significant new requirements for how financial statements are presented, with particular focus on:

- The statement of profit or loss, including requirements for mandatory sub-totals to be presented. IFRS 18 introduces requirements for items of income and expense to be classified into one of five categories in the statement of profit or loss. This classification results in certain sub-totals being presented, such as the sum of all items of income and expense in the operating category comprising the new mandatory 'operating profit or loss' sub-total.
- Aggregation and disaggregation of information, including the introduction of overall principles for how information should be aggregated and disaggregated in financial statements.
- Disclosures related to management-defined performance measures (MPMs), which are measures of financial performance based on a total or sub-total required by IFRS Accounting Standards with adjustments made (e.g. 'adjusted profit or loss'). Entities will be required to disclose MPMs in the financial statements with disclosures, including reconciliations of MPMs to the nearest total or sub-total calculated in accordance with IFRS Accounting Standards. The aim of the IASB in publishing IFRS 18 is to improve comparability and transparency of companies' performance reporting. IFRS 18 has also resulted in narrow changes to the statement of cash flows.

#### *IFRS 19 Subsidiaries without Public Accountability: Disclosures*

On 9 May 2024, the International Accounting Standards Board (IASB) issued IFRS 19 Subsidiaries without Public Accountability: Disclosures. Stakeholders have asked the IASB to permit a subsidiary reporting to a parent applying IFRS Accounting Standards in its consolidated financial statements to apply IFRS Accounting Standards with reduced disclosure requirements in its own financial statements. Considering this feedback, the IASB added a project to its research pipeline to provide reduced disclosure requirements for subsidiaries without public accountability. The project has culminated in the issuance of IFRS 19, which permits eligible subsidiaries to apply reduced disclosure requirements while applying the recognition, measurement and presentation requirements in IFRS Accounting Standards. For example, under IFRS 19, an Group that has transactions within the scope of IFRS 2 Share-based Payment would not apply the disclosure requirements in IFRS 2.44-52, which are extensive. Instead, an Group would disclose only the information contained in paragraphs 31-34 of IFRS 19, which include a description of share-based payment arrangements, the number and weighted average exercise prices of share options, how an Group measures the fair value of equity settled share-based payment transactions and other general information about transactions in the scope of IFRS 2. As an indication of the scope of the reduction in disclosure requirements, IFRS 2 currently contains 991 words in its disclosure requirements, whereas IFRS 19 contains only 250 words relating to IFRS 2 disclosures. The eligibility criteria for an Group to apply IFRS 19 are:

- The Group is a subsidiary (as defined in Appendix A of IFRS 10 Consolidated Financial Statements);
- The Group does not have public accountability; and
- The Group has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. An Group has public accountability if:
  - Its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market; or
  - It holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses outsiders as one of its primary businesses.

The new standards, interpretations and amendments effective from 1 January 2024 do not have an impact on the Group's financial statements.